GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3257
ANSWERED ON:07.12.2007
SHARE IN CENTRAL TAXES AND GRANT IN AID
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Will the Minister of FINANCE be pleased to state:

(a) the criteria fixed for distribution of share in Central Taxes and Grant-in-aid to States;

(b) whether the shares of some States are being reduced every year;

(c) if so, the details thereof; and

(d) the steps being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The criteria for distribution of share in Central Taxes and Grant-in-aid to States are determined by Finance commissions. The Twelfth Finance Commission (TFC) for its award period 2005-10, has adopted the following criteria and relative weights for distribution of share in Central Taxes & Duties among states:

SI.No.	Criterion	Relative Weight (per cent)
1	Population	25.0
2	Income Distance	50.0
3	Area	10.0
4	Tax effort	7.5
5	Fiscal Discipline	7.5

As regards Grants-in-aid to States for sectors other than Local Bodies, TFC has determined States share based on its assessment of needs in relation to services provided by the states, the standard of these services, and the extent to which these requirements can be met by own resources. For grants-in-aid to Local Bodies, TFC has adopted following criterion:

SI.No.	Criterion	Relative Weight (per cent)
1	Population	40.0
2	Geographical area	10.0
3	Distance from highest per capita Income	20.0
4	Index of deprivation	10.0
5	Revenue effort of which	20.0
	(a) with respecttoown revenue of States	10.0
	(b) with respect to GSDP	10.0

(b) to (d): TFC has fixed year-wise percentage share of each State in Central Taxes and Duties and the quantum of Grants-in-aid, which do not change during its award period 2005-10.